

# FISCAL NOTE

## SB 274

February 13, 1997

**SUMMARY OF BILL:** Phases out the franchise and excise tax on insurance companies over five years, starting with tax years which begin between December 15, 1998 and December 14, 1999.

### ESTIMATED FISCAL IMPACT:

**Decrease State Revenues - \$1,400,000 First Full Year**

**Increase State Expenditures - \$50,000 One Time**

Due to the phasing out of the tax, impact will be approximately as follows, with the total recurring decrease of \$7,000,000 being realized in FY03-04 and each year thereafter.

- FY98-99 \$400,000 Initial Year (Reflects one quarter's collections)
- FY99-00 \$1,400,000 First Full Year
- FY00-01 \$2,800,000
- FY01-02 \$4,200,000
- FY02-03 \$5,600,000
- FY03-04 \$7,000,000 Full Implementation

Also assumes \$50,000 programming cost to modify computer systems.

Approximately 75% of Tennessee's insurance companies do not have to pay franchise and excise taxes because their gross premium tax is sufficient to offset such taxes.

### CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is written in a cursive style with a large, stylized initial "J".

James A. Davenport, Executive Director